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THE FARMER AND THE GENERAL WELFARE

Remarks by Henry A. Wallace, Secretary of Agriculture, at the Sixth Annual Forum of Current Problems, under the Auspices of the New York Herald-Tribune, New York City, September 23, 1936.

U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D. C.

HIGHLIGHTS

UNDER THE RULES OF THE ECONOMIC GAME as they existed up to 1933 balanced production was much of the time impossible. In the post-war period from 1920 to 1933 balanced farm production became more and more difficult as every proposal for real farm relief was rejected in favor of a tariff policy which dried up the farmer's market at the same time that it raised his cost of living and producing.

SO LONG AS THE FOREIGN MARKET could not be at once restored, the 40 million acres in export crops represented a tragic waste of land, labor, and capital. It seemed sensible for agriculture to fit its export production to the export market as it then existed. Consequently, that was where farmers, with the aid of the Agricultural Adjustment Administration, made their adjustments. And that, let me emphasize, was the limit of the adjustment. The intention, the program, and the result was gradually to get farm production in line with domestic needs plus what foreign purchasers could buy at a fair price.

THE CITY WAGE-EARNER who was getting on the average $110 a month in 1929, was getting only $65 a month in March 1933, but by July of this year was getting $97 a month. But in terms of purchasing power, the wage-earner's present $97 a month is the equivalent of 120 of the 1929 dollars if spent for food. In other words the average employed wage-earner can buy more food today than he could at the peak of city prosperity in 1929.

YOU CANNOT HAVE 1932 FOOD PRICES without also having 1932 wages, 1932 bread lines, and 1932 foreclosures.

WE REMEMBER 1932 TOO WELL, and we know that the picture that didn't make sense in 1932 has changed for the better. Farm prices and industrial prices have been brought into balance. Farmers and city workers can once more buy from each other. Thousands of factories which in 1932 were producing only cobwebs and red ink are busy today producing the things which both farmers and city workers have long needed and can now buy. The scarcity of 1932 has given way in 1936 to the beginnings of plenty.

THE ADDRESS

At the depths of the depression from which we are now recovering the thing that puzzled most people was the paradox of want in the midst of plenty. We had the greatest surplus of farm products in our history - and the most acute scarcity the American consumer had ever known. The picture didn't make sense.

It was significant that this plenty of 1932 was almost wholly an agricultural plenty, not an industrial one. While the depression deepened, the farm plant produced as usual; the industrial plant shut down to little more than half the 1929 output. But the scarcity was not confined to either city or country; the scarcity was universal.

It seemed as if our favorite economic axioms were no longer true. We had always believed that supply responded to changes in demand, but in 1932 this seemed to be true only in industry. We had accepted as gospel the axiom that production is the source of all wealth, yet here was an abundance of farm products making both producers and consumers poorer and poorer.

HUMAN AND SOIL RESOURCES WASTED

We saw human and soil resources wasted on the farm; we saw human and industrial resources wasted in the city. Our factories, producing far below the needs of the American consumer, were running at a heavy loss; our farmers, producing far beyond the needs of the American consumer, were on the verge of economic suicide. It was, I suppose, the most terrifying exhibition of scarcity and waste our economy had ever undergone.

"Terrifying" is not too strong a word for it. There were riots, and riots are terrifying. There was starvation, and starvation is terrifying. There were thousands living in hovels pieced together with the refuse from a city dump, and that too was terrifying.

From the scarcity of 1932 I hope the country has learned the necessity for a balanced production throughout our economy, and the necessity for a fairer distribution of the income from that production. If we have learned these things, then abundance for the average American home can become a reality.

Under the rules of the economic game as they existed up to 1933 balanced production was much of the time impossible. In the post-war period from 1920 to 1933 balanced farm production became more and more difficult as every proposal for real farm relief was rejected in favor of a tariff policy which dried up the farmer's market at the same time that it raised his cost of living and producing.

SECRETARIES OF AGRICULTURE SOUGHT BALANCED PRODUCTION

It was not that farm leaders and Secretaries of Agriculture were not in favor of balanced production. When world stocks of farm staples began to pile up in 1926 and 1927, William Jardine, Secretary of Agriculture under President Coolidge, urged that public agencies should cooperate with farmers "in effecting a better adjustment of production to demand." When in 1930

the operations of the Federal Farm Board brought the surplus problem onto Page One, Arthur Hyde, Secretary of Agriculture under President Hoover, wrote: "I want to emphasize the need for equitable, intelligent, systematic, and collective action to bring supply into better relationship with demand... The answer to overproduction is less production."

And to those who asked why American agriculture must reduce production, Secretary Hyde replied in 1931: "American agriculture must adjust itself to a declining export trade."

The importance of the foreign market to our farmers had at last struck home. It was suddenly discovered that the loss of a market for half of our cotton, a third of our lard, and a fifth of our wheat would take 40 million acres of land out of profitable use and throw millions out of work.

But by 1933 the damage was done, the foreign market for farm products reduced to one third the 1928 value. The Tariff Acts of 1922 and 1930 told foreign nations we no longer wished their goods. Foreign nations replied that therefore they could no longer afford to buy our goods. So there we sat, a great creditor nation with I.O.U.'s from the rest of the work for 15 billion dollars, which could ultimately be repaid only in goods and services.

Not once during the whole period from 1921 through 1932 did our Government honestly and intelligently face that situation. Three Presidents and six Congresses shrank from facing the reality that a mature creditor nation must either lower its tariffs, or cancel the debts owed from abroad, or cut down on exports, or perhaps do some of each.

EFFORTS MADE TO DESTROY GAINS

When many of our tariffs should have been gradually lowered, they were raised. When the public demanded settlement on foreign debts, our tariffs blocked imports and therefore blocked the chief means of settlement. And when our stream of exports threatened to dry up because of a shrinking foreign purchasing power, we gaily loaned foreigners new billions with which to buy our products--and continued to make it impossible for them to repay us in goods.

It was when that foreign loan device quit functioning in 1930 that the true cost of our tariff policy was revealed. And yet today, when a modest and cautious attempt is being made to recapture our lost foreign trade by reciprocal agreements, and when the record for the first seven months of this year shows a 41 percent increase in the value of our exports over 1932, orators invite the support of the electorate to destroy that gain.

It is true that tariffs have not come down nearly enough to restore our shattered export trade. But it equally true that a decade of tariff blundering cannot be corrected overnight; that tariff changes ought always to be gradual; that it takes at least two to make a trade or a tariff change; and, finally, that so far as the two major political parties are concerned, it is either this gradual method of foreign trade restoration or none at all.

Tariff policy from 1921 to 1932 left no practical alternative but the farm policy hinted at by Secretaries Jardine and Hyde and adopted by this Administration in 1933. Unsaleable surpluses had to be worked down. Storage of surpluses against the future was not even suggested. Indeed, anyone who would have suggested that so soon after the collapse of the Farm Board would have been hooted out of court.

So long as the foreign market could not be at once restored, those 40 million acres in export crops represented a tragic waste of land, labor, and capital. It seemed sensible for agriculture to fit its export production to the export market as it then existed. Consequently, that was where farmers, with the aid of the Agricultural Adjustment Administration, made their adjustments. And that, let me emphasize, was the limit of the adjustment. The intention, the program, and the result was gradually to get farm production in line with domestic needs plus what foreign purchasers could buy at a fair price.

As a direct result of the return to a more nearly balanced production, net farm income is this year three times that of 1932. The consumer with an enlightened self-interest, remembering 1932, will rejoice with the farmer in that gain even as he inquires into the relationship between farm recovery and city food prices.

FOOD PRICES BELOW PRE-DEPRESSION LEVEL

When the consumer does so inquire, he will discover in the first place that despite two terrific droughts within three years, the total food supply for the current marketing year will be within 3 percent of the supply available last year. In the second place he will discover that food prices this summer have been from 15 to 20 percent below their pre-depression level. And in the third place he will observe, perhaps to his surprise, that between 1933 and 1936 food prices have barely kept pace with general economic recovery as measured by the earning power of the employed city consumer.

Let me repeat: Despite two great droughts, our food supply is ample, and food prices are in line with other prices and with wage-earner's incomes.

To illustrate: the city wage-earner who was getting on the average $110 a month in 1929, was getting only $65 a month in March 1933, but by July of this year was getting $97 a month. But in terms of purchasing power, the wage-earner's present $97 a month is the equivalent of 120 of the 1929 dollars if spent for food. In other words the average employed wage-earner can buy more food today than he could at the peak of city prosperity in 1929.

At the bottom of the depression food prices were of course extremely low. What some people forget is that incomes were also low. Consequently those who say food prices are too high now are really asking for a return to the economic situation of 1932.

Some day I hope everyone will respect the simple fact that you cannot have 1932 food prices without also having 1932 wages, 1932 bread lines, and 1932 foreclosures.

This same interdependence holds for imports of competitive farm products. Such imports have always gone up and down in almost perfect step with the degree of prosperity of the American farmer and wage-earner.

In 1929 these imports were relatively high. In 1932 they were relatively low. Since then they have naturally increased, and that increase is another measure of economic recovery in the United States. But they are still much below the 1929 total. Perhaps it would be undesirable to have imports of competitive farm products attain as high a level as they did in the decade of the Twenties, but thus far that possibility has not arisen. This year, even though drought -- and drought alone -- cut our corn crop by more than a billion bushels, the tariff of 25 cents a bushel will apparently not permit the replacement of more than one-twentieth of the loss caused by drought.

Of course those who distort the figures on imports, and who flaunt their ignorance of the first principles of foreign trade, are not interested in the true welfare of either farmer or consumer. They are playing an old, old game. They are consciously or unconsciously selling the farmer and the consumer down the river to those monopolistic interests which have been able to maintain prices behind the tariff wall year after year.

FARM AND INDUSTRIAL PRICES IN BALANCE

I don't think they will get away with it this time. We remember 1932 too well, and we know that the picture that didn't make sense in 1932 has changed for the better. Farm prices and industrial prices have been brought into balance. Farmers and city workers can once more buy from each other. Thousands of factories which in 1932 were producing only cobwebs and red ink are busy today producing the things which both farmers and city workers have long needed and can now buy. The scarcity of 1932 has given way in 1936 to the beginnings of plenty.

The real problem is to continue to keep production and prices in balance. Neither agriculture nor the consumer wishes a repetition of the unsaleable surpluses of 1932, but neither do we wish to be at the mercy of drought. While it is true that even two record-breaking droughts in three years have not done as much damage as the waste and scarcity of 1932, most of us would prefer to avoid either calamity.

It seems to me it would be in the interest of the General Welfare to help the farmer chart a course which would avoid either of these two kinds of scarcity. The American farmer does owe a duty to the American consumer to see that he is adequately fed no matter how severe the drought. The consumer, in turn, through the Government owes it to the farmer to see that surpluses accumulated in years of good weather do not ruin the farmer.

If the wisdom of Joseph in ancient Egypt can be adapted to our American economic and governmental institutions, we ought to apply it.

At intervals during the past 14 years I have discussed the broad outlines of an ever-normal granary and crop insurance program. Today I ask only your acceptance of the stabilizing principle which is the heart of the proposal. And I ask for your acceptance not in any partisan sense, but in the conviction that such a program will truly be in the interest of the General Welfare.